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INFORMATION REPORT

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PREPARED AND DISSEMINATED BY

CENTRAL INTELLIGENCE AGENCY

COUNTRY

CHINA (Taiwan)

SUBJECT

Proposed Tire Plant

25X1A6a

REPORT

DATE

NO. OF PAGES

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SUPPLEMENT TO REPORT #

25X1A2g

DATE OF INFORMATION (Date or Dates on or between which, events or conditions described in report existed)

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SOURCE

25X1A2g

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1. The Taiwan Government is interested in establishment of a tire plant. They propose to sponsor a private corporation to be known as "The Taiwan United Rubber Tyre Company, Incorporated" to be operated on the basis of a private enterprise under governmental auspices.
2. The chief promoters and backers are the Shantung Sandicate, The Taiwan Rubber Industry Guild [which represents some 70 manufacturers of bicycle tires, mechanical goods, sundries, etc] and the J G White Engineering Company. Capitalization is fixed at new Taiwan dollars 16 million, or at the legal rate of exchange, approximately US dollars 1,022,000. Foreign capital would be invited to participate up to 30% of this total.
3. The government agrees to sell the factory site and existing equipment of the Nan Kong Rubber Factory in Taipei, which was set up to produce tires and tubes under the Japanese but has long been closed. The equipment in the plant consists of:
 - 1 rubber washing machine
 - 4 22" x 60" mills
 - 4 18" x 48" mills
 - 1 18" x 36" profile calender with a 22" warm-up mill
 - 1 bead wire machine
 - 2 48" x 36" five-deck platen presses
 - 5 cement mixers
 - 1 6" extruding machine
 - 1 rimming press
 - 5 air compressors and reservoirs
 - 6 high pressure hydraulic pumps
 - 111 electric motors of various capacities
4. The capacity to be established would be 100 tires and tubes daily, working one shift of 10 hours. As soon as workers could be trained, the production would be doubled by adding a second shift. Based on 300 working days per year, this would provide the 60,000 tires, the estimated requirements for the 20,000 vehicles there [10,000 military and 10,000 civilian]. The annual production would consist of:

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36,000	750-20	10 ply
12,000	825-20	10 ply
6,000	650-15	6 ply
	700-15	6 ply
6,000	650-16	8 ply
	600-16	6 ply

5. MSA in Taiwan has agreed to finance the purchase of necessary equipment to the amount of US\$420,000.
6. It is proposed to issue 160,000 shares of new Taiwan dollars 100 each, to be paid for within three months. Expenditures are expected to be:

US Dollars

New machinery and equipment	420,000
Factory site and Nan Kong Factory	320,000
Expenses during preparatory months	13,000
Interest on MSA loan	25,200
Running capital	422,175
Miscellaneous	20,000
	<u>\$1,220,375</u>

7. All raw materials must be imported.
8. When the Chinese mainland fell to the communists, the Tsingtao Rubber Factory, originally a branch of Bridgestone [Japan], moved to Taiwan but could bring little equipment. Tsingtao, now controlled by the Shantung Syndicate, has a small core of trained personnel through the supervisory level.
9. It is proposed that a US manufacturer participate and supply an engineer and two production men to manage the plant.
10. It is estimated the cost of a 750-20 tire and tube would be US\$56.29. [Collector's note - This is very high compared with US costs but such an operation would be inefficient and the figure could be a fair expectation]. It is proposed to plus this up 20% for a selling price of \$67.55. The selling price of a tire and tube imported from the US is US\$92.65 and from Japan US\$79.87.

[Collector's note - Inquiry among the chief US tire manufacturers reveals this inquiry was received by all but none of them was interested and there is no tire plant in Taiwan. The proposal to sell tires at cost plus 20% would never be considered, nor investment of any money in the area].

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